



Benchlearning Initiative External Assessment

Summary report 2nd cycle –Iceland



Written by ICON Institut Public Sector GmbH

2018



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate B — Employment
Unit B.1— Employment Strategy
Contact: Renata Häublein
E-mail: EMPL-PES-SECRETARIAT@ec.europa.eu
European Commission
B-1049 Brussels

This publication has received financial support from the European Union programme for Employment and Social Innovation "EaSI" (2014-2020). For further information, please consult:
<http://ec.europa.eu/social/easi>

LEGAL NOTICE

This document has been prepared for the European Commission, however it only reflects the views of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained herein.

Benchlearning Initiative External Assessment

Summary report 2nd cycle – Iceland



Benchlearning Initiative External Assessment
The Icelandic PES (Vinnumálastofnun)
Summary Report 2nd cycle

Index

	Page no.
1. INTRODUCTION	5
2. SHORT SUMMARY OF THE CHANGE AGENDA	6
3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA	8
4. ASSESSMENT OF CHANGE MANAGEMENT	10
5. SUGGESTIONS AND RECOMMENDATIONS.....	11

1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the Icelandic PES (the VMST – Vinnumálastofnun), conducted between March 13th and 15th, 2018. The team of five external assessors had two peer PES staff (from the Norwegian and Luxembourgian PES), one representative from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the three-day visit included meetings with senior management from the VMST, and a visit to two local offices (in Akureyri and in the Reykjavik region). The time and resources invested in the preparation for the Benchlearning visit by the VMST, particularly its internal self-assessment, were crucial to its success. The translations of the Key Performance Indicators (KPIs) from Icelandic to English, and the presentation slides covering the most important changes during the last two years within the ‘single enabler’ sections were also key factors in the success of the visit.

The Icelandic PES is the Directorate of Labour within the structure of the Ministry of Welfare. The supervision of the VMST is exercised by a board, which is made up of representatives from the Ministry of Welfare and the social partners. The social partners also have representatives on the board of the Unemployment Insurance Fund and on the board of the Guarantee Fund. They are also represented in the eight five regional employment councils.

The Board of the VMST has a supervising role and it must approve the annual Operational and Finance Schedule. It also has a role in unemployment benefit funding and policymaking for labour market measures. Compared to other European PES, the VMST has a considerable amount of autonomy when implementing government policies.

The VMST has a two-level structure, with a head office and regional offices. The executive management team at the head office in Reykjavik has a Director General and five Directors of Divisions. In addition, there are eight regional employment offices providing a wide range of PES services for registered jobseekers and employers (see below). These services include a national payment office for benefits and an office that is responsible for the central management and operation of the Maternity, Paternity and Parental Leave Fund.

The regional employment offices adhere to the directorate’s head office in Reykjavik. The regional employment councils, which are made up of representatives from labour market organisations, local authorities and secondary schools work in cooperation with each regional office, but only with an advisory role in relation to the structure of ALMP and the question which ALMP measures should be implemented in their region. In the head office in Reykjavik, the management of counselling and recruitment services is the responsibility of departmental managers.

The services provided by the VMST are the following:

- Public labour exchanges and counselling services;
- Day-to-day operations of the Unemployment Insurance Fund, the Maternity and Paternity Leave Fund, the Wage Guarantee Fund and many other projects connected with the labour market;
- Disbursement of maternity and paternity leave benefits;

- Registration of jobseekers, and the calculation and payment of unemployment benefits;
- Statistics, analyses and surveys of the labour market.

The main objectives of the VMST as described in the government's Labour Market Policies Act are to provide individuals with appropriate assistance to enable them to become active participants in the labour market, and to promote equilibrium between the supply of, and the demand for, labour in Iceland.

2. SHORT SUMMARY OF THE CHANGE AGENDA

On basis of the August 2016 feedback report, which summarised the findings and recommendations of the first external PES Benchlearning assessment, the VMST developed a change report during the course of 2017. This change report basically followed the structure of the recommendations. It included the areas below where the external assessors identified potential for improvement:

- A strategic shift towards a stronger focus on employers
Within the existing legal framework, its statutory requirements and the established partnerships with the Education and Training Service Centre (ETSC),¹ the VMST has started to further improve its cooperation with employers and to broaden its services to support those employers that want to recruit foreign labour, e.g. via EURES. In addition, the administration of work permits and the registration of foreign service companies who post workers temporarily in Iceland, has increased substantially. Cooperation with the police, the tax authorities, the Social Insurance Administration, the Immigration Service, the Administration of Occupational Safety and Health, and the National Registry has also been intensified.
- The digitisation of services
Despite financial constraints, the VMST is working on gradually extending digital services for its customers. New digital services have already been implemented for the administration of work contracts for people with disabilities. In addition, preparation for the renewal of the core IT system has started. The new system will create digital registration for jobseekers and vacancies and contribute to creating more time for high quality face-to-face services.
- Improving performance indicators and the implementation of performance dialogues
A process for elaborating and implementing more advanced performance indicators which relate to outcomes and results rather than outputs and inputs has been started. Staff contributions for defining suitable indicators are actively encouraged and taken into consideration. Nevertheless, the process of reducing the number of Key Performance Indicators (KPIs) and of increasing their relevance was still ongoing during the second PES BL assessment.

¹ The ETSC is owned by the Icelandic Confederation of Labour (ASÍ), the Confederation of Icelandic Employers (SA), the Federation of State and Municipal Employees (BSRB), the Ministry of Finance and the Association of Local Authorities.

- Better standardisation of processes

To achieve a higher degree of standardisation in service provision, the VMST has started to systematically document key processes in a manual. In addition, a process improvement team has been set up to analyse bottlenecks and potential areas for the improvement. Relevant and up to date information is screened and made available to the staff via a so-called Focal Quality and Archive management system. Standardisation of processes is also achieved through improved IT platforms (e.g. the “My Pages” employer portal). As mentioned above, digital services will experience significant change in the coming years. This will also lead to a higher degree of standardisation for administrative processes.

- The implementation of holistic profiling

The introduction of computer-based holistic profiling will depend on the IT solution that is implemented in the coming years. In the current full employment situation, the registered jobseekers that remain clients of the VMST for a longer period of time generally face severe behavioural, personal and/or health-related problems which can also be mapped in face-to-face contact. These are also used for the elaboration of individualised integration planning. The VMST has intensified its cooperation with municipal and other partners to guide registered jobseekers to additional, targeted and more suitable services available through the VMST’s partners.

- The elaboration and implementation of an employer strategy

To improve its employer services in a situation of high workforce demand, the VMST has enhanced its web portal for employers. It has also intensified its EURES services and broadened its counselling and information activities related to work permit regulations for foreign workers, work contracts and strategies for successfully integrating foreign workers into the Icelandic labour market. The services are tailored for the needs of small and medium sized enterprises (SMEs).

- Strengthening evaluation

Due to the VMST’s relatively small size, budget constraints and the limited number of registered jobseekers, it is difficult to implement a systematic scientific evaluation process within the VMST. Evaluation is therefore understood as being the continuous monitoring of the labour market, and the monitoring of its own activities and customer satisfaction. In this context, the VMST started a review of its labour market analysis to give a more comprehensive overview of labour market trends, and it intensified its customer satisfaction surveys which are carried out as annual surveys with jobseekers and employers.

- Strengthening partnerships

The VMST has started to more systematically analyse and map the stakeholders’ contributions to its strategic and operational objectives at a national and regional level. A more coordinated approach is needed for cooperation and communication to clearly define the VMST’s role in current labour market conditions. Current conditions are characterised by a considerable lack of skilled workforce, the influx of foreign workers who often are not aware of their responsibilities and duties, and a high share of foreign workers leaving the country after a relatively short time.

- Better allocation of resources

Working at the VMST requires competences and skills in different areas, as employees have to manage different tasks at the same time. In order to clearly define the expectations of employees, most of the important competences and skills required for each job position have been redefined. Based on this, all job descriptions have been reviewed and made available for employees on their personal area within the online performance review system. Apart from increasing transparency, job satisfaction should stay at its current high level through training, a tailored health programme and financial incentives.

As a relatively small organisation, the VMST also started a more focused change process in three priority areas, which are strategic performance management, process management and the update of the VMST's IT system, which includes digital services for its customers.

In relation to *strategic performance management*, a new "Three Year Strategy" was elaborated and broken down into "Annual Operational Schedules", which provide clear orientation on top priorities and long-term objectives for all levels of VMST staff. Part of the changes within the strategic performance management is to initialise the elaboration of clear, measurable and result-oriented targets.

Another very important activity on the VMST's change agenda is the *renewal of its outdated and ineffective IT structure*. The expectation is that a modern system should help to implement all the digital services needed by the VMST's staff and management, as well as by its customers, e. g. for the registration or the matching process. The VMST's ambition is to make full use of digital services in order to serve its customers better, i.e. in a more targeted, less bureaucratic, secure and efficient way. A first step is the definition of those services which are already provided or supported electronically, but for which the software applications are rather old or do not correspond to modern requirements. In addition, areas are defined which offer big potential for increased efficiency resulting from the implementation of new digital services.

Major attention is also paid to achieving *more standardised and transparent processes* since in the past many processes in service delivery have not been documented. This bears the risk of differences in the quality of service provision.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

In recent years, the PES Benchlearning process has played an important role in defining the necessary changes in the structure and operational processes of the Icelandic PES. Against this background, the external assessors would like to emphasise positively that the recommendations made in 2016 during the first external assessment have been critically reviewed and taken into consideration for launching reform initiatives in the VMST according to their relevance and practicability. The focus on three central reform projects seems consistent, since the VMST is a comparably small PES. By doing so, the limited personnel resources within the VMST can be used in a targeted and effective way without overstraining the existing organisational structure.

One of the most important reform projects relates to the fundamental modernisation of the IT system. This is an essential prerequisite for the necessary digitisation of services and processes. The VMST is currently working with different IT solutions, such as, for example, "ALSOM" (a special, but outdated computer programme) in the field of jobseekers' registration. Some of these IT solutions were developed

over 25 years ago and are neither timely nor sufficiently effective. In addition, the possibilities for further development of existing systems and applications are technically limited, and they have come to a natural end. The external assessors therefore fully agree with the representatives of the VMST that there is a substantial need for action in terms of modernising the IT infrastructure, the IT system(s), the software solutions used and broadening e-services for jobseekers, employers and, last but not least, the VMST's own staff and managers. However, action should not be simply limited to the development of a new IT system.

External assessors gained the impression that the activities which have been carried out so far very much focus on introducing one new IT system (a public tender was announced during the external assessment). Experiences from other European PES show that building on already existing IT systems, which have been implemented successfully in one PES and which offer potential for being customised to the needs of another PES, should also be taken into consideration. Another option lies in further merging the current IT-solutions to one system, though possibilities for further developing these systems within Iceland remain limited, as shown above.

With reference to experiences of other PES (the Luxembourgian PES for example), external assessors would also like to point out that the development and implementation of a new IT system often requires much more time than originally estimated. One consequence is that while a new IT system is being set up, the VMST would have to face the challenge of working on interim solutions to adapt the existing systems, as far as possible, to current needs, which may be the result of legislative changes, new political projects, additional data protection requirements etc.

Just as important as the renewal of the IT structure is the further development of the Performance Management System. Based on the findings and recommendations of the first PES BL Assessment, the VMST started a process of reducing the previously large number of Key Performance Indicators (KPIs) to a few more relevant indicators. The PES Benchlearning team also saw a shift from output indicators to a stronger orientation towards results. The team of external assessors saw this new focus as an important and consistent step towards supporting the process of strategy planning and the continuous monitoring of performance results, thereby allowing for a better basis for the decision-making process.

At the same time, according to the assessors, a stronger KPI focus also contributes to greater transparency of the target system, both internally and externally, for example in its communications with the Board. This increased transparency also offers good opportunities for employees to identify with the objectives that have been set for the organisation. The three-year strategic planning document and the annual operational plans, which are derived from it, have clearly proven to be a good and successful format for achieving this transparency in planning and monitoring. However, their relevance for operational processes could be increased. External assessors gained the impression that although staff are generally familiar with them, KPIs do not play a major practical role in the day-to-day work of front-line staff. Staff identification with and ownership of the strategic objectives could therefore be increased.

The third area of activity is also of great relevance to the future development of the VMST. As a comparatively small organisation with very little hierarchy where many employees have several functions, the provision of services has hitherto been possible (and successful) even without a high degree of standardisation. However, the challenges of providing effective service provision became visible during the economic and financial crisis, when a comparatively high number of jobseekers

registered within a very short time and demanded a different kind of support and benefits. The need for a greater standardisation of processes is still an issue, even though the labour market in Iceland nowadays is characterised by full employment. The relatively small number of remaining unemployed face severe obstacles in getting a quick return into employment, thus demanding intensive support. Standardising administrative processes as far as possible and enabling those jobseekers and companies that are able to do so to call various services from the VMST in a relatively independent way by expanding e-services, would together enable placement officers to have more time available for the all-important individual support of jobseekers in need.

Taken overall, the three reform priorities set by the VMST are considered to be relevant, coherent and largely consistent. The concentration on three major reform areas is assessed as effective. Nevertheless, the external assessors foresee risks, above all, in regard to the activities related to the introduction of a new IT system. Since the current focus seems to be on the procurement of a new IT system, there is a risk that the service provision and the associated processes will have to adapt to the newly introduced IT system, while assessors consider a clear definition of the service provision and the processes as the starting point for the development of adequate IT solutions.

4. ASSESSMENT OF CHANGE MANAGEMENT

The VMST is currently building on an in-depth analysis of its initial situation, and an assessment of the existing weaknesses and challenges within its organisation and service delivery chain, so that it can successfully implement the upcoming change processes. In addition to relevant contextual information on economic and labour market related developments, its own administrative data is being analysed, as well as the results from its customer satisfaction surveys. Feedback from employees is also taken into consideration, but only on a relatively small scale. Efforts to integrate scientific evidence into the change management process have so far been somewhat limited. This is mainly due to the relatively small size of the organisation, and a lack of financial resources for commissioning research projects from Universities or private research facilities. Nevertheless, the external assessors still believe evidence-based methods, including especially scientific research, should be used more frequently in a more systematic way to thoroughly examine different change options. In addition, pilot projects should be set up before decisions are taken on the implementation of changes or on their roll out.

The change process at the VMST largely benefits from the openness of management and employees towards the necessary changes, and the willingness of staff at all levels to support continuous learning and to further modernise the organisation. The easy communication channels and the lack of hierarchies are a major asset for the organisation to respond quickly and flexibly to new requirements. The development of a genuine feedback culture has also had a beneficial effect, but, so far, a systematic activation of the innovative and creative potential of the VMST's employees has not yet taken place.

The new "Three Year Strategy" and the "Annual Operational Schedule" play a crucial role in the success of the change projects. Both documents are well known at all levels of the organisation, and they give a good orientation on the strategic and operational objectives of the VMST. While the objectives and general strategy are clear, operational steps and activities are not concrete. A more structured definition of milestones could help guide VMST staff in a more effective way by giving them orientation on how their own day-to-day work contributes to the strategic objectives.

External assessors positively acknowledge the implementation of improvement teams (such as, for example, the renewal of the IT system or the process standardisation) and the 'ambassador of change' function exercised by the regional managers. These are important first steps for anchoring change processes in the organisation. Nevertheless, more systematic communication between head office and regional offices, including their frontline staff, and systematic feedback loops could help to increase a sense of ownership throughout the entire organisation, and manage change processes in an effective and sustainable way. In addition, this would also allow staff to understand how change initiatives are beneficial in regard to the VMST's ambition to promote an equilibrium between the supply side and the demand side within the Icelandic labour market.

5. SUGGESTIONS AND RECOMMENDATIONS

The external assessors would like to highlight four fields of action for achieving the above mentioned overall objective of the VMST, while taking into consideration the specific conditions of the Icelandic PES. In addition to further adjustments in performance management, a consistent standardisation of processes, their gradual digitisation and further improving the employer service seem to be necessary at the current time.

So far, the possibilities of the performance management system, the key performance indicators (KPIs) and the results of the monitoring are mainly used by the VMST's senior management and by regional directors.

One consequence of this is that there is no direct interface between strategic objectives and the practical work carried out by the employment officers. From the employees' perspective, the set objectives, the KPIs and the actions required to achieve the goals therefore remain abstract. So far, success has been generally defined from an individual level, so at an operational level the measure of success remains subjective.

Based on this, the external assessors encourage the VMST's senior management to improve their explanations of their performance management system and its relationship to the employees' activity, at all the different organisational and regional levels. Every employee should understand his/her direct contribution to the achievement of the goals. Correspondingly, positive examples of how such a translation of initially abstract goals can be achieved at the operational level can be found, for example, in the French PES, where a system was developed where all organisational units are regularly informed about the achievement of the set goals. The reasons for any changes are discussed, and any necessary measures are then sorted between the organisational levels of the PES. In the French PES, the management's objectives and their relevance to an individual's actions, and the direct contribution an individual can make to achieving these goals is visible to the employee. Steps for improving one's own performance can be discussed at meetings with the team leader. This increases the identification of employees at all levels with the strategic objectives, and the relevant KPI. Similar mechanisms also exist in the Slovenian and Norwegian PES.

The external assessors also suggest increasing the relevance of the efficiency aspects of strategic management, KPIs and monitoring the VMST's performance. Good examples can be found in a number of European PES. One example is the S+MCA-steering framework (Secure and Measure, Control and Accounting) applied in the Dutch PES. In addition, the Dutch PES recently developed and implemented a "control room" where performance assessment takes place with the support of visually attractive dashboards. These serve as a stepping stone for lively discussions about the continuous improvement of results, work processes and service

delivery among staff at different organisational levels. A "steering kit" has also been developed so that staff can get used to the S+MCA approach.

Another example concerns the indicator-based management of the German PES: in this context it is particularly interesting to mention the introduction of a KPI that measures the sustainability of integrations into the first labour market. This indicator has become more and more important in recent years in comparison to short-term oriented indicators, such as the integration of jobseekers in subsidised or unsubsidised jobs, who may easily return to unemployment. Another important indicator in the KPI system the German PES uses is job-to-job integration, which measures the performance of the PES in avoiding unemployment. A stronger focus on results was also introduced in the Norwegian PES as part of its modernisation process.

Effective performance management also requires systematic quality management. In this context, Assessors believe action is needed on the existing potential for the standardisation of processes (see below). The Estonian and the Austrian PES have good examples which can be regarded as reference models in matters of systematic quality management. Quality management is part of everyday life in the Austrian PES. The importance of quality management is reflected in a dedicated team of quality managers directly reporting to the board of directors. All aspects of the definition, execution and the review of the quality management is done on a regular basis with representative groups taken from the whole organisation. Management and self-assessment are regularly carried out, and they include 'lessons learnt' feedback.

The external assessors also recommend introducing tools where employees themselves can continuously assess the quality and success of their work. In addition to the options available within the framework of systematic quality management in Austria (see above), the Danish and German PES can serve as good examples. In Germany, for example, 'job shadowing' at meetings between employment officers and jobseekers has been introduced on a regular basis. After these meetings, team leaders give immediate feedback to employment officers so that they receive important information which help to improve future interviews and the services they offer to customers and relevant advice on handling specific interview situations.

Another important field of action is the (already mentioned) standardisation of processes. The external assessors refer back to recommendations in the first PES Benchlearning cycle. Employees should all work in the same direction to ensure homogeneous services at a high qualitative level in their administrative activities, and also in the structuring of customer contacts. There should be further standardisation to guarantee the same service quality to all customers. In this respect, positive experiences can be highlighted in France, Austria and Estonia.

In the French PES, many processes have been simplified and clearly documented in recent years. The basis for this was the interaction with customers while developing new processes and systematic customer feedback loops immediately after the introduction of new standards. New processes were also backed up through using collaborative approaches and innovation methods (such as 'Le LAB', 'intrapreneurship' and 'Emploi Store Développeurs'). The positive results associated with the introduction of the new standardised processes were also possible because information for employment officers on how to work with new standards was presented in a structured form by introducing a unique information system (BUDI - Base Unique de Documentation et d' Information). This system provides simple access for counsellors and managers to useful operational information in their daily work and service delivery.

The continuous support of employees was also important in Austria which achieved good results in its newly standardised processes. For example, a handbook was published in 2017 which dealt in an integrated way with quality and process management, and how to manage the opportunities and risks in customer management. To achieve this success, a specific tool (ARIS) was introduced, which was supported by training for PES staff in the early phase. In addition, balanced score cards and mutual learning activities also played an important role. A high degree of standardisation of processes can also be achieved by a broad digitisation of services, as for example in Estonia.

The external assessors strongly support the VMST's approach in renewing its IT-system. Starting with a clear definition of the processes, the requirements for a new IT system have been defined. Experiences from other PES (especially from the Flemish, the Norwegian and the Maltese PES) have been taken into while developing the terms of reference for the tender procedures. A good examples of IT solutions that follow clearly defined process requirements can also be found in Germany.

Against the background of the substantial workforce shortage, the external assessors also suggest rethinking the objectives and the contents of the VMST's employer service. Even though the existing framework significantly limits the VMST's room for manoeuvre, external assessors see some opportunities for addressing the needs of SMEs in particular, in terms of sustainable human resources development. Potential areas for improvement could be extending the EURES services or broadening of services related to the early detection of employers that may require staff upskilling and/or replacements. The external assessors are aware, that the training and upskilling of employees does not fall into the mandate of the VMST but are carried out by occupational training and education centres run by social partners in cooperation with state authorities. VMST could use its broad knowledge related to labour market trends and especially results of analysis of the registers related to jobseekers and vacancies for assisting the occupational training and education centres to implement appropriate strategies which could assist SMEs in upgrading and retaining their staff and in getting easier access to new workers. Good examples of stronger employer orientation are provided by PES in the Netherlands, Italy (Lombardy) and Belgium (ACTIRIS and VDAB). The basis for a stronger partnership and the targeted support of companies is having exact knowledge of the needs of employers, based on trust and a high reputation of the PES among employers. Successful approaches in this context can be found, for example, in Slovenia or in Germany.

The "WeGebAU" programme run by the German PES, started in 2006, is a good example for the occupational training and education centres for the improvement of training employees. The programme sets up funding for training older people, employees in SMEs and low-skilled workers. Its aims are to secure and increase employability and avoid unemployment. The plan is for it to continue to assist in supplying the demand for skilled workers, and to act as an incentive for companies to use continuing vocational training as a means of improving competitiveness. Upskilled employees can take over positions with a higher degree of responsibility, while the jobs they vacated can then be taken by registered jobseekers with a lower level of qualification and experience.

In summary, external assessors have observed significant steps forward in modernising the VMST. The suggestions and referrals to other PES in Europe, which are mentioned above, should encourage the VMST to continue on its successful path of change and renewal.

